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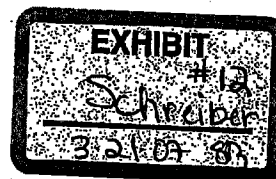
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PHILADELPHIA, PA 19103-7213  
215.751.2000 FAX 215.751.2205 schnader.com

December 24, 2002

BARRY E. BRESSLER  
Direct Dial 215-751-2050  
Direct Fax 215-751-2205  
Internet Address: bbressler@schnader.com

VIA FACSIMILE #312-621-1750

Scott N. Schreiber, Esquire  
Much Shelist Freed Denenberg Ament & Rubenstein  
200 North LaSalle Street, Suite 2100  
Chicago, IL 60601



Re: In re: Coram Healthcare Corp., Debtor  
/Daniel D. Crowley

Dear Mr. Schreiber:

Per our additional discussions, Arlin M. Adams, the Chapter 11 Trustee for Coram Healthcare Corporation ("Coram") has modified the proposed terms for a termination agreement and extension of employment with Daniel D. Crowley ("Dan"), subject to approval of the Bankruptcy Court, to include the following terms:

1. Dan has terminated his prior Employment Agreement, as amended ("Employment Agreement") and the Trustee has filed a "placeholder" motion to reject Dan's old Employment Agreement.
2. Under the proposed termination and employment extension agreement ("Transition Agreement"), the Trustee and Dan agree that commencing January 1, 2003 Dan will continue to render essentially the same services to Coram as he has heretofore for a term not to exceed the earlier of (a) six (6) months from January 1, 2003; (b) the date on which a Plan is confirmed by final order of a court having jurisdiction in the Coram Bankruptcy ("final order"); or (c) the substantial consummation of a Plan in the Coram Bankruptcy. The term could be extended once for up to an additional sixty (60) days, if a final order has not been entered on or before June 30, 2003, unless either party terminates the arrangement on thirty (30) days' prior written notice.

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CAMDEN, NJ CHERRY HILL, NJ HARRISBURG, PA PHOENIX, AZ  
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December 24, 2002  
Page 2

3. Dan's current at will employment will continue until December 31, 2002 on the same terms and conditions as under the old Employment Agreement, while we finalize the Transition Agreement and submit it to the Bankruptcy Court. Through December 31, 2002, Dan will receive the same monthly salary and benefits as under the Employment Agreement.

4. Under the Transition Agreement, beginning January 1, 2003, Coram will pay Dan a base monthly salary of \$80,000.00 ("Monthly Salary") payable as heretofore and continue to reimburse direct costs and expenses incurred by Dan or Dynamic Healthcare Solutions ("Dynamic") on behalf of Coram or Coram's employees occupying space in Sacramento, California on the same basis as heretofore during Coram's bankruptcy proceedings. If during the six months of the Transition Agreement the Trustee terminates Dan without cause, Dan would still be entitled to be paid his Monthly Salary for the balance of the six month period. If during that period Dan is terminated for cause, Dan would not be paid the Monthly Salary for the balance of the six month period.

5. Under the Transition Agreement, Coram will continue to provide the other perquisites and benefits that Coram currently provides to Dan under the old Employment Agreement, including health, dental and disability insurance on the same basis as made available to senior executives of Coram, \$1,000,000.00 of whole life coverage, an \$1,800.00 transportation allowance, corporate housing in Denver on the same basis as heretofore, gross up for taxes on certain benefits on the same basis as heretofore, reasonable expenses incurred in the course of Dan's rendering services for Coram and tax preparation costs of \$10,000.00 for the six months of the Transition Agreement. As heretofore, Dan may maintain his interest in Dynamic and during the term of the Transition Agreement, Dan agrees on behalf of Dynamic that it may consult with other companies not in direct competition with Coram, except for the Noteholders/preferred stockholders or their affiliates for which neither Dynamic nor Dan shall consult, so long as such consulting does not substantially detract from Dan rendering the necessary time and effort to continue to guide Coram on the same basis as heretofore.

6. During the Transition Agreement, Coram would continue to maintain D&O coverage covering Dan to the same extent available to all Coram officers and directors.

7. In consideration of Dan's agreement to forego other opportunities during the Transition Period and in partial recognition of his efforts over the past nine (9) months, the Trustee will pay Dan a stay and performance payment totaling \$1,000,000.00 ("Stay Bonus"). This will be accomplished by reimbursement for counsel fees (not to exceed \$200,000.00) paid on approval of the Transition Agreement by the Court, with the balance of \$800,000.00 paid as a stay bonus paid at the end of the six month period or upon a final confirmation order, whichever first occurs. Dan will be entitled to the Stay Bonus whether or not a final confirmation order is entered.

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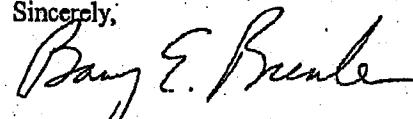
Scott N. Schreiber, Esq.  
December 24, 2002  
Page 3

8. The Transition Agreement will be governed by Colorado law, as was Dan's old Employment Agreement, and will be enforceable by either party in the Bankruptcy Court.

9. The Transition Agreement will be subject to approval of the Bankruptcy Court. The Transition Agreement will have an effective date of, and the Trustee will request the Bankruptcy Court to approve it as of, January 1, 2003.

10. The Trustee will agree, after consultation with Dan, on an appropriate job title during the Transition Agreement, which tentatively will be Chief Transition and Restructuring Officer.

Sincerely,

  
BARRY E. BRESSLER

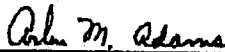
BEB/sh

Cc: Arlin M. Adams, Chapter 11 Trustee  
Mr. Daniel D. Crowley

Agreed as to Terms and Conditions

DANIEL D. CROWLEY

\_\_\_\_\_  
ARLIN M. ADAMS, CHAPTER 11 TRUSTEE

  
\_\_\_\_\_

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Scott N. Schreiber, Esq.  
December 24, 2002  
Page 3

8. The Transition Agreement will be governed by Colorado law, as was Dan's old Employment Agreement, and will be enforceable by either party in the Bankruptcy Court.

9. The Transition Agreement will be subject to approval of the Bankruptcy Court. The Transition Agreement will have an exhibit that us and the Trustee will request the Bankruptcy Court to approve it as of January 1, 2003.

10. The Trustee will agree, after consultation with Dan, on an appropriate job title during the Transition Agreement, which tentatively will be Chief Transition and Restructuring Officer.

Sincerely,

*Barry E. Brink*  
BARRETT E. BRINK

BBB/sh

CC: Arlin M. Adams, Chapter 11 Trustee  
Mr. Daniel D. Crowley

Agreed as to Terms and Conditions

DANIEL D. CROWLEY

*Daniel D. Crowley* 24 Dec 02

ARLIN M. ADAMS, CHAPTER 11 TRUSTEE

*Arlin M. Adams*

Schnader Harrison Segal & Lewis LLP

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DEC. 24 2002 02:29PM PZ

DEC. 24 2002 3:39PM  
FROM : MAIL BOXES ETC. #1614  
JULI M.  
MUCH SHELIST FDR&R  
PHONE NO. : 916 552 0641

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215.751.2500 FAX 215.751.2203

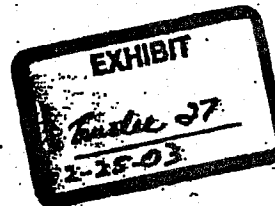
EC-11

January 7, 2003

BARRY E. BRESSLER  
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Internet Address: bbressler@schnader.com

VIA FACSIMILE #312-621-1750

Scott N. Schreiber, Esquire  
Much Shelist Freed Denenberg Ament & Rubenstein  
200 North LaSalle Street, Suite 2100  
Chicago, IL 60601



Re: In re: Coram Healthcare Corp., Debtor  
/Daniel D. Crowley

Dear Mr. Schreiber:

Per our additional discussions, Arlin M. Adams, the Chapter 11 Trustee for Coram Healthcare Corporation ("Coram") and Daniel D. Crowley ("Dan") have entered into a letter agreement (the "Transition Agreement") for terminating Dan's prior Employment Agreement and extending his employment. The Transition Agreement will be submitted to the Bankruptcy Court for approval.

This letter will serve to reflect the intent as to an additional settlement agreement ("Settlement Agreement") to be entered into between the Trustee and Dan, subject to a formal agreement being drawn and subject, of course, to approval of the Bankruptcy Court. The Settlement Agreement is being negotiated and finalized in connection with the Transition Agreement, and will include the following terms:

1. All of Dan's contractual and employment claims for performance bonuses, KERP, MIP, and otherwise, including any and all claims under his old Employment Agreement, not dealt with in the Transition Agreement, will be compromised and satisfied by an additional payment, upon final Plan confirmation, of \$2,000,000 and the exchange of releases provided below.
2. Dan will release the Trustee and Debtors from any further claims as part of the Plan and the Trustee and Debtors will in turn release Dan from all proposed derivative claims and any other claims arising out of or related to such proposed derivative claims that the Trustee.

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BOSTON, MA NEW YORK, NY PHILADELPHIA, PA PITTSBURGH, PA SAN FRANCISCO, CA  
CHICAGO, IL CINCINNATI, OH CLEVELAND, OH DALLAS, TX DENVER, CO  
HOUSTON, TX LOS ANGELES, CA MEMPHIS, TN NEW ORLEANS, LA  
PHILADELPHIA, PA PITTSBURGH, PA RICHMOND, VA  
SAN FRANCISCO, CA SEATTLE, WA WASHINGTON, DC  
CH-11 TRUSTEE

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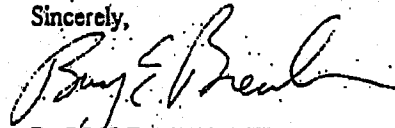
Scott N. Schreiber, Esq.  
January 7, 2003  
Page 2

Coram, any subsidiaries, or any committees or entities claiming through them, may have against Dan, to the fullest extent approved by the Bankruptcy Court.

3. The parties contemplate that the formal agreement reflecting the above will be finalized by January 31, 2003, and will be presented to the Bankruptcy Court for approval thereafter, but in any event before a Plan to be proposed by the Trustee on or before February 28, 2003.

4. If the Bankruptcy Court fails to approve the Settlement Agreement, all of the undertakings of the parties will be void and the parties will return to their previous positions, retaining all claims which exist and all defenses thereto. The parties will only be legally bound upon approval of the formal agreement by the Bankruptcy Court.

Sincerely,

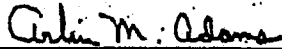
  
BARRY E. BRESSLER

cc: Arlin M. Adams, Chapter 11 Trustee  
Mr. Daniel D. Crowley

The Terms and Conditions above are hereby agreed to:

DANIEL D. CROWLEY

\_\_\_\_\_  
ARLIN M. ADAMS, CHAPTER 11 TRUSTEE

  
\_\_\_\_\_

  
Schnader Harrison Segal & Lewis LLP

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CH-11 TRUSTEE

002574

THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

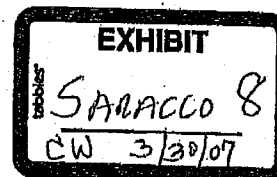
In re: Chapter 11  
CORAM HEALTHCARE CORP. and Case No. 00-3299 (MFW)  
CORAM, INC., (Jointly Administered)  
Debtors. Objection Deadline: February 21, 2003  
Hearing Date: February 28, 2003

MOTION OF THE CHAPTER 11 TRUSTEE FOR  
AUTHORIZATION TO ENTER INTO  
TERMINATION AND EMPLOYMENT EXTENSION AGREEMENT  
WITH DANIEL D. CROWLEY

Arlin M. Adams, the Chapter 11 Trustee (the "Trustee") of the bankruptcy estates of Coram Healthcare Corp. ("CHC") and Coram, Inc. ("Coram" and, together with CHC, referred to as the "Debtors"), by and through his undersigned counsel, hereby moves this Court for authorization, pursuant to Sections 105 and 363 of Title 11 of the United States Code §§ 101, *et seq.* (the "Bankruptcy Code"), to enter into the Termination and Employment Extension Agreement with Daniel D. Crowley ("Crowley"), effective January 1, 2003. In support thereof, the Trustee respectfully represents as follows:

**BACKGROUND**

1. On August 8, 2000 (the "Petition Date"), the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. Until March 7, 2002, the Debtors operated their businesses and managed their properties and assets as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. The Debtors'



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Chapter 11 cases have been consolidated for procedural purposes only. The Debtors' cases have not been consolidated with that of any other debtor.

2. On August 22, 2000, the United States Trustee designated an Official Committee of Unsecured Creditors (the "Creditors' Committee") in the Debtors' bankruptcy cases. On October 18, 2000, the United States Trustee designated a Committee of Equity Interest Holders (the "Equity Committee") to represent the interests of CHC's common shareholders.

3. On December 21, 2000 the Court denied confirmation of the Debtors' first proposed plan of reorganization. On December 21, 2001, the Court entered an order denying confirmation of the Debtors' proposed second plan of reorganization.

4. At a hearing held on February 12, 2002, the Court granted two motions seeking the appointment of a trustee to assume control over the Debtors' property and affairs pursuant to Section 1104 of the Bankruptcy Code. The Trustee's appointment was approved by the Court on March 7, 2002 (the "Appointment Date").

5. On December 19, 2002, the Equity Committee filed a proposed plan of reorganization. As the Trustee's counsel informed the Court during the December 27, 2002 omnibus hearing, the Trustee intends to file his own plan by the end of February, 2003.

#### Crowley's Current Employment Arrangement

6. On or about November 30, 1999, CHC and Crowley entered into an Employment Agreement (the "Employment Agreement") pursuant to which CHC agreed to employ him as President and Chief Executive Officer of CHC and all of its wholly-

owned subsidiaries and Chairman of CHC's Board of Directors. A true and correct copy of the Employment Agreement, together with any and all amendments thereto, is attached hereto as Exhibit "A" and incorporated herein by reference in its entirety.

7. Under the Employment Agreement, CHC agreed to compensate Crowley for his services with, *inter alia*, (i) a base salary of \$650,000 per annum (the "Salary"), (ii) various performance based bonuses, (iii) stock options, (iv) health insurance benefits, (v) paid vacation time, (vi) life insurance benefits, (vii) a car allowance, (viii) corporate housing, and (ix) tax liability preparation and reimbursement benefits.

8. While the Trustee has continued to pay Crowley his annual salary and certain benefits in the ordinary course of business, neither the Trustee nor the Debtors while debtors-in-possession have made any payments to Crowley on account of his claimed Management Incentive Plan ("MIP") bonuses and Key Employee Retention Plan ("KERP") bonuses. Crowley also maintains he is entitled to a success bonus of \$1,800,000 payable upon consummation of debt refinancing and a plan of reorganization.

9. On or about November 26, 2002, the Trustee moved the Court to enter an Order that would, among other things, authorize the Trustee to reject the Employment Agreement (Docket No. 1972). Since then, Crowley has terminated the Employment Agreement without prejudice to his claims for substantial bonus compensation, including for MIP and KERP bonuses. The Trustee and Crowley are currently engaged in negotiations in an attempt to resolve these and all other claims between them.

10. After examining the Debtors' businesses, as discussed in further detail below, the Trustee has determined that Crowley has performed his duties under the Employment Agreement competently and that it would serve the Debtors' best interests

to continue Crowley's employment in the capacity of Chief Transition and Restructuring Officer on an interim basis during the plan confirmation process.

#### JURISDICTION AND VENUE

11. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (M). The statutory predicates for the relief sought herein are Sections 105 and 363 of the Bankruptcy Code and Fed. R. Bankr. P. 4001, 6004 and 9014.

#### REQUESTED RELIEF AND BASIS THEREFORE

12. By this motion, the Trustee requests that the Court enter an order authorizing the Trustee to enter into a Termination and Employment Extension Agreement which he has negotiated with Crowley (the "Transition Agreement"), a true and correct copy of which is attached hereto as Exhibit "B" and incorporated herein by reference in its entirety.

#### The Transition Agreement

13. The Transition Agreement provides, *inter alia*, the following:
- Commencing as of January 1, 2003, Crowley will serve as the Chief Transition and Restructuring Officer for a term not to exceed the earlier of (i) six (6) months from January 1, 2003, (ii) the date on which a Plan of Reorganization is confirmed by final order of the Court, or (iii) the substantial consummation of a plan of reorganization.
  - The term may be extended one time for up to an additional sixty (60) days if a final order has not been entered on or before June 30, 2003, unless either party terminates the arrangement on thirty (30) days' prior written notice.

- Commencing January 1, 2003, the Debtors will pay Crowley a base monthly salary of \$80,000.00 and continue to reimburse direct costs and expenses incurred by Crowley as heretofore.
- The Debtors will continue to provide Crowley with the benefits provided under the Employment Agreement as heretofore, including without limitation health, dental and disability insurance, life insurance, transportation allowance and corporate housing.
- The Debtors will continue to maintain D&O coverage covering Crowley to the same extent available to all of the Debtors' officers and directors.
- In consideration of Crowley's agreement to forego other opportunities during his term, and in partial recognition of his efforts over the past nine (9) months, the Debtors will pay Crowley a stay and performance payment of \$800,000, plus \$200,000 in partial reimbursement of his counsel fees.

#### Crowley's Continued Employment

14. Section 363 of the Bankruptcy Code provides that a trustee must obtain the bankruptcy court's approval to use property of the estate other than in the ordinary course of business. 11 U.S.C. § 363(b). The proposed transaction may be viewed as being in the ordinary course of business because: (a) companies comparable to the Debtors regularly extend continued employment terms to existing employees and officers, and (b) creditors of the Debtors would reasonably expect a continued relationship between CHC and its chief executive officer. *See In re Roth American, Inc.*, 975 F.2d 949 (3d Cir. 1992). Nevertheless, having terminated Crowley as Chief Executive Officer and President and given the controversy surrounding his past employment by the Debtors' in this case, the Trustee seeks the Court's authorization to enter into the Transition Agreement.

15. In order to obtain authorization for the use of property of the estate outside of the ordinary course of business, a trustee must articulate some business justification for

such action. *In re Continental Airlines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986); *In re Lionel Corp.*, 722 F.2d 1063, 1070 (2d Cir. 1983); *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del. 1999); *In re Delaware & Hudson Railway Co.*, 124 B.R. 169 (D. Del. 1991). This "is similar to many states' 'business judgment rule,' where great deference is given to a business in determining its own best interests." *In re W.A. Mallory Company*, 214 B.R. 834, 836 (Bankr. E.D. Va. 1997). *See also Montgomery Ward*, 242 B.R. at 155 (affirming approval of a 363(b) motion where the bankruptcy court based its findings on the debtors' business judgment).

16. This Court denied confirmation of both of the proposed plans of reorganization offered by the Debtors because it found that an actual conflict of interest arose as a result of Crowley's employment contract with Cerberus Partners, L.P. ("Cerberus"), who is a noteholder and preferred shareholder. The Court's findings regarding Crowley's relationship with Cerberus, as well as his failure to timely make complete disclosure of the relationship to the CHC Board of Directors, raised a substantial question for the Trustee as to whether Crowley should be retained.

17. Because Crowley and Cerberus have informed the Trustee that all contractual relations between them have been severed and that Crowley has not received any compensation from Cerberus in 2002, the Trustee is satisfied that there is no continuing conflict of interest.

18. Moreover, the Trustee's own thorough evaluation of Crowley's performance, has led him to conclude that the company is better off with Crowley than without him, at least on an interim basis to provide stability until a plan is confirmed.

Crowley's Performance

19. Since the Appointment Date, the Trustee has independently examined the actions undertaken by Crowley as the Debtors' chief executive officer. The Trustee has visited the corporate offices in Denver and has had several meetings and discussions with Crowley, CHC's senior executives and other employees of CHC. In addition, the Trustee has considered numerous reports regarding the financial performance of the Debtors and has reviewed the Debtors' performance under Crowley with the investment bankers retained by the Trustee.

20. The Trustee's evaluation is that Crowley has operated the company profitably and efficiently. Under Crowley, notwithstanding being in these bankruptcy proceedings, the Debtors have experienced positive operating margins and EBITDA<sup>1</sup>, reduced cost of services, reduced operating costs, improved inventory management, improved information systems, improved management tools, and maintained a stable cash position with no net borrowing to fund post-petition operations.

21. EBITDA has substantially increased during the period of Crowley's stewardship of the company. From 1995 through 1999, a time prior to Crowley's employment, the Debtors' EBITDA was a negative \$37 million. From January 2000

<sup>1</sup> EBITDA as discussed herein is defined as earnings before interest expense, income taxes, depreciation, amortization, net reorganization expenses, losses on impairment of long-lived assets, gains on sales of businesses, provision for (income from) litigation settlements, extraordinary gains on troubled debt restructurings, and for the periods after 1999, discontinued operations. The financial information of the Debtors contained herein was derived from and should be read in conjunction with CHC's consolidated financial statements and the notes thereto included in its Annual Reports on Form 10-K for the years ended December 31, 1997, 1998, 1999, 2000 and 2001 and its unaudited condensed consolidated financial statements and the notes thereto included in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002.

through September 2002, the Debtors experienced \$83 million in positive EBITDA, a \$120 million improvement under Crowley's management. For the first nine months of 2002 (including the six months after the Trustee was appointed), EBITDA was a positive \$21 million; by contrast, EBITDA was negative \$54 million for the year ended December 31, 1999.

22. Revenue and gross profit are also increasing. For the nine-month period ended September 30, 2002, the Debtors' revenue rose \$31 million, or 11 percent, from the same period the year before, resulting in an increased gross profit of \$9 million. Indeed, revenue was higher during each month of 2002 than during the same month in 2001.

23. Under Crowley, CHC has improved its financial performance by identifying and focusing the business on its most profitable core therapies. When Crowley was named CEO, non-core therapies accounted for approximately 38 percent of infusion therapy revenues for the quarter ended December 31, 1999; by the third quarter of 2002, non-core therapies represented only approximately 27 percent of infusion therapy revenues. In addition, daily average revenue per patient for core therapies rose 3% to \$151 per day during the nine months ended September 30, 2002 when compared with the same period from the prior year.

24. The most profitable type of business for CHC is the treatment of patients with chronic disorders. With Crowley at the helm under the Trustee's stewardship, CHC refined its marketing strategy to target chronic patients. As a result of these efforts, revenues from the treatment of hemophilia patients grew by 55 percent (\$15 million) during the nine months ended September 30, 2002 when compared with the same period

from the prior year. The treatment of hemophilia patients now represents 13 percent of total revenue, up from 9 percent during the nine months ended September 30, 2001.

Similarly, revenues from nutrition patients were increased 6 percent during the same time frame.

25. Furthermore, during Crowley's tenure, CHC has also cut costs by, *inter alia*, leveraging volume to purchase drugs and supplies more effectively. Cost of services for infusion, exclusive of depreciation and amortization expense, as a percentage of net revenue has been reduced from 76 percent for the year ended December 31, 1999 to 71 percent for the nine months ended September 30, 2002.

26. Under Crowley, the Debtors have neither required post-petition borrowings to fund operations nor utilized their debtor-in-possession facility.

27. Finally, the evaluation conducted by the Trustee's advisors has revealed improved employee productivity, increased employee morale and reduced employee turnover since Crowley became CEO of the Debtors. Company statistics show that the branch employee turnover rate was reduced by approximately six percent in 2002 when compared to 2001. It is apparent to the Trustee that many of CHC's employees are loyal to Crowley and that they remain confident of his ability to transition the Debtors' through an effective reorganization.

28. The Trustee believes that it is important to maintain the Debtors' operational status quo during the plan confirmation process. The Equity Committee recently filed a plan and the Trustee intends to file his own plan of reorganization shortly. Replacing Crowley now would endanger the Debtors' ability to reorganize. Specifically, the Trustee believes that Crowley's departure would likely encourage "cherry-picking" of

key employees by competitors, could cause substantial departures of executives and other key employees, and shift the company's focus from its business plan to mere survival.

29. Accordingly, the Trustee submits that sound business purposes support the Trustee's request for the entry of an order authorizing him to enter into the Transition Agreement.

**NOTICE**

30. The Trustee shall serve a copy of this Motion upon (i) the United States Trustee, (ii) the Official Committee of Unsecured Creditors, (iii) the Official Committee of Equity Holders, (iv) the Post-Petition Lenders and the Noteholders, (v) Crowley and his identified counsel, and (vi) all parties requesting notice pursuant to Rule 2002 of the Bankruptcy Rules. Notice of this Motion has also been given by filing a Form 8-K with the Securities and Exchange Commission as of the date hereof. The Trustee respectfully submits that no other or further notice need be given.

**NO PRIOR REQUEST**

31. No previous application for the relief requested herein has been made to this or any other court by the Trustee.

**[THIS SPACE INTENTIONALLY BLANK]**

WHEREFORE, the Trustee respectfully requests that this Court enter an Order:  
(i) authorizing the Trustee to Enter into the Transition Agreement, and (ii) granting such  
other and further relief that this Court deems just and proper under the circumstances.

Dated: January 24, 2003

WEIR & PARTNERS LLP

By: /s/ Kenneth E. Aaron  
Kenneth E. Aaron (#4043)  
Salene R. Mazur  
824 Market Street Mall, Suite 1001  
P.O. Box 708  
Wilmington, Delaware 19899  
(302) 652-8181 (telephone)  
(302) 652-8909 (facsimile)

-and-

SCHNADER HARRISON SEGAL  
& LEWIS LLP  
Barry E. Bressler  
Michael J. Barrie  
1600 Market Street, Suite 3600  
Philadelphia, Pennsylvania 19103-7286  
(215) 751-2000 (telephone)  
(215) 751-2205 (facsimile)

Co-Counsel to Arlin M. Adams,  
Chapter 11 Trustee.

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

IN RE:

CORAM HEALTHCARE CORP. and  
CORAM, INC.,  
Debtors.

Chapter 11  
Case No. 00-3299 (MFW)  
and Case No. 00-3300 (MFW)  
Jointly Administered

**REQUEST OF DANIEL CROWLEY FOR PAYMENT OF ADMINISTRATIVE  
EXPENSE**

Daniel Crowley, by his attorneys, hereby submits this, his Request for Payment of Administrative Expense (the "Request"). In support of the Request, Crowley states as follows:

**FACTUAL BACKGROUND**

**A. The Bankruptcy Filing and Chapter 11 Trustee**

1. On or about August 8, 2000 (the "Petition Date"), Coram and Coram, Inc. (collectively, the "Debtors") each filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). The Debtors' chapter 11 cases have been consolidated for procedural purposes only.

2. On February 12, 2002, this Court granted the motion to appoint a chapter 11 trustee (the "Trustee") to assume control over the Debtors' property and affairs pursuant to section 1104 of the Bankruptcy Code. On March 7, 2002 the Court approved the appointment of the Hon. Arlin M. Adams as Trustee.

**B. Crowley's Employment under the Employment Agreement and KERPs**

3. Prior to the Petition Date, on or about November 30, 1999, Crowley entered into an Employment Agreement (as amended from time to time, the "Employment Agreement")<sup>1</sup> with Coram Healthcare Corporation ("Coram"), whereby Coram agreed, among other things, to employ Crowley as its Chairman of the Board, President and Chief Executive Officer.

<sup>1</sup> A copy of the Employment Agreement and its amendments is attached hereto as Group Exhibit A.

4. Coram, and subsequently the Trustee, continued to employ Crowley after the Petition Date pursuant to the terms of the Employment Agreement through its expiration on November 30, 2002. Even after the Employment Agreement expired, the Trustee continued Crowley's employment through March, 2003.

5. Over the course of Crowley's employment, the Employment Agreement was amended from time to time to provide, among other things, for the payment of certain bonuses (the "Bonuses") to Crowley including without limitation the following: (1) for Fiscal Year 2000, a bonus payment of 25 percent of Coram's EBITDA above \$14,000,000 with a one-time payment of \$5,000,000 if EBITDA exceeded \$35,000,000; (2) for Fiscal Year(s) 2001, and 2002, a bonus of up to three (3) times his then base salary of \$650,000 depending upon Coram's EBITDA; and a bonus payment of \$1,800,000 if Coram obtained a successful refinancing. Based upon Coram's EBITDA Crowley is due \$10,842,000 for Fiscal Year 2000, \$996,840 for Fiscal Year 2001, and \$1,950,000 for Fiscal Year 2002. Because Coram successfully obtained refinancing, Crowley is further entitled to the \$1,800,000 bonus.

6. Coram also provided for additional compensation to be payable to Crowley, among others, under certain Key Employee Retention Programs ("KERPs"). Pursuant to those KERPs, Crowley was to receive \$400,000 for each year ended December 31, 2000, 2001, and 2002. Because Crowley remained employed by Coram at each of those years' end, Crowley is further entitled to an additional \$1,200,000 under the KERPs (the "KERP Amounts").

7. In addition to performance bonuses and KERP payments, Crowley was entitled to receive additional compensation for any unused vacation, and certain other Board-approved payments (the "Additional Compensation").

8. To date, neither the Debtors nor the Trustee have paid Crowley the Bonuses, the

KERP Amounts, or the Additional Compensation in an aggregate amount of nearly \$16,800,000<sup>2</sup> (the "Administrative Request Amount") to which Crowley is entitled. Therefore, Crowley hereby requests that this Court allow the Administrative Request Amount as an administrative expense of the Debtors and direct the Debtors and the Trustee to pay him that amount.

**C. Crowley's Contributions to the Debtors' Estates**

9. By all accounts, Crowley did more than stabilize and maintain the Debtors' businesses: he significantly contributed to the Debtors' estates by significantly improving them, even during the most trying of bankruptcy conditions. As noted by Harrison J. Goldin:

Crowley moved quickly to stabilize Coram's finances and turn the company around. Among other changes, he centralized the purchasing process; brought inventory levels down; increased working capital; paid off some of Coram's debt; reduced accounts receivable from \$130 million to about \$77 million; and emphasized Coram's core therapy focus. According to Wendy Simpson, who was CFO at the time, Crowley "focused immediately on cash out." She said he literally "went through stacks of invoices and questioned each one."

Update Report of Independent Restructuring Advisor Goldin Associates, L.L.C., dated September 4, 2001, at 43

10. After the Court denied Coram's Second Plan of Reorganization, Judge Adams was appointed chapter 11 Trustee. At the Trustee's request, Crowley stayed on as Coram's CEO. Judge Adams respected the value that Crowley brought to the Debtors, notwithstanding the circumstances and Crowley's conflict that prompted the Trustee's appointment. As the Trustee himself stated:

19. Since the Appointment Date, the Trustee has independently examined the actions undertaken by Crowley as the Debtors' chief executive officer. The Trustee has visited the corporate offices in Denver and has had several meetings and discussions with Crowley, CHC's senior executives and other employees of CHC. In addition, the Trustee has considered numerous reports regarding the

<sup>2</sup> This amount represents an estimate of the bonuses Crowley is entitled to be paid and includes \$1,950,000 that was reserved per direction of the Trustee Counsel for 2002 Management Incentive Plan. The Actual amount of Crowley's Additional Compensation which he claims is subject to payment as an administrative expense is subject to further investigation and a more complete review of the Debtors' books and records.

financial performance of the Debtors and has reviewed the Debtors' performance under Crowley with the investment bankers retained by the Trustee.

20. *The Trustee's evaluation is that Crowley has operated the company profitably and efficiently. Under Crowley, notwithstanding being in these bankruptcy proceedings, the Debtors have experienced positive operating margins and EBITDA [footnote deleted], reduced cost of services, reduced operating costs, improved inventory management, improved information systems, improved management tools, and maintained a stable cash position with no net borrowing to fund post-petition operations.*

21. EBITDA has substantially increased during the period of Crowley's stewardship of the company. From 1995 through 1999, a time prior to Crowley's employment, the Debtors' EBITDA was a negative \$37 million. *From January 2000 through September 2002, the Debtors experienced \$83 million in positive EBITDA, a \$120 million improvement under Crowley's management.* For the first nine months of 2002 (including the six months after the Trustee was appointed), EBITDA was a positive \$21 million; by contrast, EBITDA was negative \$54 million for the year ended December 31, 1999.

22. Revenue and gross profit are also increasing. For the nine-month period ended September 30, 2002, the Debtors' revenue rose \$31 million, or 11 percent, from the same period the year before, resulting in an increased gross profit of \$9 million. Indeed, revenue was higher during each month of 2002 than during the same month in 2001.

23. Under Crowley, CHC has improved its financial performance by identifying and focusing the business on its most profitable core therapies. When Crowley was named CEO, non-core therapies accounted for approximately 38 percent of infusion therapy revenues for the quarter ended December 31, 1999; by the third quarter of 2002, non-core therapies represented only approximately 27 percent of infusion therapy revenues. In addition, daily average revenue per patient for core therapies rose 3% to \$151 per pay during the nine months ended September 30, 2002 when compared with the same period from the prior year.

24. The most profitable type of business for CHC is the treatment of patients with chronic disorders. *With Crowley at the helm under the Trustee's stewardship, CHC refined its marketing strategy to target chronic patients. As a result of these efforts, revenue from the treatment of hemophilia patients grew by 55 percent (\$15 million) during the nine months ended September 30, 2002 when compared with the same period from the prior year.* The treatment of hemophilia patients now represents 13 percent of total revenue, up from 9 percent during the nine months ended September 30, 2001. Similarly, revenues from nutrition patients were increased 6 percent during the same time frame.

25. *Furthermore, during Crowley's tenure, CHC has also cut costs by, inter alia, leveraging volume to purchase drugs and supplies more effectively.* Cost of services for infusion, exclusive of depreciation and amortization expense, as

a percentage of net revenue has been reduced from 76 percent for the year ended December 31, 1999 to 71 percent for the nine months ended September 30, 2002.

26. *Under Crowley, the Debtors have neither required post-petition borrowings to fund operations nor utilized their debtor-in-possession facility.*

27. *Finally, the evaluation conducted by the Trustee's advisors has revealed improved employee productivity, increased employee morale and reduced employee turnover since Crowley became CEO of the Debtors.* Company statistics show that the branch employee turnover rate was reduced by approximately six percent in 2002 when compared to 2001. It is apparent to the Trustee that many of CHC's employees are loyal to Crowley and that they remain confident of his ability to transition the Debtors' through an effective reorganization.

Motion of the Chapter 11 Trustee For Authorization To Enter Into Termination and Employment Extension Agreement with Daniel D. Crowley. (Emphasis added).

11. Crowley's remarkable achievements at Coram speak for themselves.

Jurisdiction

12. This Court has jurisdiction over the Request, which is a core proceeding pursuant to 28 U.S.C. § 1334 and § 157(b)(1), (b)(2)(A), (B), and (O).

Law and Argument

13. As the Third Circuit and this Court have recognized, compensation, including bonuses, for debtors' employees are entitled to administrative priority status for services rendered post-petition. *See, e.g., In re Hechinger Inv. Co.*, 298 F.3d 219 (3d Cir. 2002) and *In re Lason, Inc.*, 309 B.R. 441 (Bankr.D.Del. 2001). *Accord, In re Pre-Press Graphics Company, Inc.*, 287 B.R. 726 (Bankr. N.D. Ill 2003).

14. Here, there is no question that Crowley's services were performed for the Debtors post-petition, resulting from negotiations with the Debtor in Possession and the Trustee. Crowley's post-petition services were performed at the Debtors' and Trustee's request, and pursuant to an agreement entered into by the Debtors and Crowley. Indeed on October 3, 2002, Crowley gave the Trustee notice that he intended on terminating his relationship with Coram at

the expiration of the Employment Agreement. *At the Trustee's request*, however, Crowley continued to serve as Coram's CEO while the Trustee and Crowley negotiated a Transition Agreement and the Trustee sought approval to enter into a Transition Agreement with Crowley. Consequently, the amounts to be paid pursuant to the Employment Agreement and the amounts earned by Crowley during the holdover period are entitled to be paid as an administrative claim pursuant to Section 503(b)(1).

15. Furthermore, although this alone is sufficient grounds to grant an administrative priority status for those payments, Crowley is entitled to these payments under this Court's general test for administrative expense claims:

Whether someone is entitled to an administrative claim is determined by a two-part test: (1) there must be a post-petition transaction between the creditor and the debtor; and (2) the estate must receive a benefit from the transaction.

*In re Waste Sys. Int'l, Inc.*, 280 B.R. 824, 826 (Bankr. D. Del. 2002). As shown above, by continuing to provide services to the Debtors, and then to the Trustee following his appointment, and then to the Trustee during the holdover period after the Employment Agreement terminated, Crowley's request easily satisfies this test.

16. Again, it is unquestionable that Crowley's services were part of a transaction between him and the Debtors and, subsequently, the Trustee on behalf of the Debtors' estates. Crowley's services were rendered as part of his employment as CEO of the Debtors pursuant to an agreement that was never rejected. Indeed, the Trustee waited until November 26, 2002 – four days before the employment Agreement expired on its own terms – to file a motion to reject the Employment Agreements (docket #1972). The Trustee since abandoned prosecution of that motion.

17. Second, as amply described above, in pleadings filed by the Trustee, by the Trustee in his deposition, and in the Goldin Report, the Debtors' estates received substantial

benefits from Crowley's services.<sup>3</sup> In addition to all of the Trustee's findings of Crowley's exemplary performance are the following successes brought by Crowley's efforts: successful resolution of potentially costly litigation with Aetna; material improvement in the mix of therapies sold by Coram that was followed by fifteen months of consecutive net growth; establishment of a Strategic Business Unit concept that rapidly turned Coram into a viable competitor in its marketplace; a material improvement in costs; assembling a first-class management team; implementation of a crisp Information Technology strategy that brought clarity to this vital area for the first time since Coram's formation; and a multitude of operational improvements ranging from inventory to nursing visits to pricing to contracting. The value of those benefits are appropriately measured by the amounts agreed to by the parties under the Employment Agreement and the KERPs.

WHEREFORE, Crowley respectfully requests this Court enter an order (i) granting him an administrative priority expense in an amount to be determined; (ii) directing the Debtors and the Trustee to pay Crowley that amount upon the entry of the order, and (iii) for such other and further relief as may be just.

Date: December 30, 2004

Respectfully submitted,  
**DANIEL CROWLEY, Movant**

By:   
 One of His Attorneys

Richard H. Cross, Jr.  
 Donna L. Harris  
 Cross & Simon, LLC  
 913 North Market Street  
 Wilmington, DE 19899

<sup>3</sup> As even this Court has recently observed, in the context of discussing the merits of the Equity Committee's draft complaint "...the evidence suggests that Crowley actually improved the financial position of Coram by reducing debt and increasing earnings [citation omitted]." *In re Coram Healthcare Corp.*, 315 B.R. 321, 333 (Bankr. D. Del. 2004)

Scott N. Schreiber  
Anthony C. Valiulis #2883007  
John H. Ward #2939924  
**MUCH SHELIST FREED DENENBERG**  
**AMENT & RUBENSTEIN, P.C.**  
191 North Wacker Drive  
Suite 1800  
Chicago, Illinois 60606  
(312) 521-2691

540480-1

8

Crowley  
Direct

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: )  
 )  
CORAM HEALTHCARE CORP. and )  
CORAM, INC., ) Case Nos. 00-3299  
 ) through 00-3300 (MFW)  
Debtors. )

United States Bankruptcy Court  
824 Market Street - Sixth Floor  
Wilmington, Delaware

December 1, 2000  
9:00 a.m.

BEFORE: HONORABLE MARY F. WALRATH,  
United States Bankruptcy Judge

TRANSCRIPT OF PROCEEDINGS

WILCOX & FETZER  
1330 King Street - Wilmington Delaware 19801  
(302) 655-0477

DEC 05 2000



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Pachulski, Siang, Ziehl,  
Young & Jones

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1 THE COURT: Good morning.

2 MR. SHIFF: Good morning, Your Honor.

3 Adam Shiff of Kasowitz, Benson, Torres & Friedman here  
4 this morning on behalf of the debtors, Coram  
5 Healthcare Corporation and Coram, Inc.

6 Your Honor, our co-counsel, the Pachulski  
7 firm, has filed an agenda letter. I think they then  
8 submitted an amended agenda letter yesterday.

9 THE COURT: Yes.

10 MR. SHIFF: Needless to say, as often is  
11 the case, notwithstanding the amended agenda, things  
12 have changed I think slightly before this morning's  
13 hearing. There is one item of a housekeeping nature  
14 that was not reflected in the agenda letter which I  
15 would just like to bring up first, if I may.

16 Yesterday, the debtors filed a motion  
17 seeking to extend the exclusive periods for a 60-day  
18 period. That is set to be heard, it is noticed to be  
19 heard on December 27th. This was filed  
20 notwithstanding the fact that there is a plan on file  
21 and presumably the solicitation and exclusive periods  
22 are still out there. The 120 days from the petition  
23 date runs on or about December 8th. And since the  
24 hearing will be taking place after that, in accordance



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1 with the practice we have prepared a bridge order  
2 seeking merely to extend that period until the  
3 conclusion of the hearing on that motion.

4 Your Honor, just because we're all here  
5 today, it seemed like a convenient time to present  
6 that to the Court.

7 THE COURT: You may bench file it.

8 MR. SHIFF: Thank you, Your Honor. May I  
9 approach?

10 THE COURT: Yes.

11 MR. LEVY: Good morning. My name is  
12 Richard Levy. I represent the official equity  
13 committee.

14 I would just like to note, without  
15 objecting, we knew nothing about this until this  
16 morning, but I guess there's not much we can do about  
17 it.

18 Thanks.

19 THE COURT: All right. I will enter the  
20 order until it can be heard.

21 MR. SHIFF: Thank you, Your Honor. And  
22 the order is being served out, the motion, on  
23 appropriate notice.

24 Your Honor, turning now to the agenda



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1 MR. LEVY: No objection.

2 THE COURT: All right.

3 I forget which is listed first.

4 MR. SCHWARTZ: Benjamin Schwartz appearing  
5 on behalf of the equity committee, Your Honor. Good  
6 morning. And I think the equity committee motion is  
7 No. 6 on page 7, I believe.

8 THE COURT: I have it.

9 MR. SCHWARTZ: Your Honor, the equity  
10 committee has filed this motion. As was announced on  
11 Tuesday, we're doing it on a hurried basis to engage  
12 Deloitte & Touche as valuation and financial advisers.  
13 Their principal role is as a valuation witness.  
14 That's really what they have been doing.

15 Present today in addition to myself  
16 presenting the motion is Mr. Phil Bentley from the  
17 Kramer, Levin firm in New York, who represents  
18 Deloitte, and Mr. Bernard Pump, who is one of the  
19 principals who has been working on the valuation  
20 engagement. And Mr. Bentley would like to take some  
21 time to make a proffer of the evidence on some of the  
22 underlying things and has discussed that with  
23 Mr. Schepacarter.

24 Your Honor, our motion asks for a nunc pro



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1 tunc retention back to November 8th, which is the day  
2 we met with and engaged Deloitte & Touche. As you  
3 know, this is on a fast track. Deloitte & Touche was  
4 engaged principally to give a valuation for the  
5 hearing, confirmation hearing that's scheduled today.

6 They started right away rather than having  
7 -- they did not have the luxury to wait.

8 THE COURT: Well, before we go further, I  
9 think the parties were given until today to voice any  
10 objections, so perhaps it would help to focus matters  
11 if I hear any objections.

12 MR. SCHWARTZ: That would be fine, Your  
13 Honor.

14 MR. FRIEDMAN: Your Honor, David Friedman,  
15 counsel for the debtors.

16 In the interest of moving ahead with the  
17 confirmation hearing, the debtors have determined not  
18 to assert any objections to the retention.

19 THE COURT: All right. Does the U.S.  
20 Trustee wish to present anything?

21 MR. SCHEPACARTER: Thank you, Your Honor.  
22 For the record, Richard Schepacarter for the United  
23 States Trustee's Office.

24 Your Honor, I only was able to look at



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1 proffer and perhaps some brief cross-examination.

2 THE COURT: All right. Does any other  
3 party wish to object?

4 MR. MINUTI: Good morning, Your Honor.  
5 Mark Minuti from Saul, Ewing.

6 As Your Honor knows, I'm local counsel for  
7 the equity committee. As a courtesy to Mr. Bentley, I  
8 would like to move his admission pro hac vice. I  
9 prepared a motion, if I may approach?

10 THE COURT: You may.

11 Thank you.

12 MR. MINUTI: Thank you, Your Honor.

13 THE COURT: It will be granted. You may  
14 proceed.

15 MR. BENTLEY: Good morning, Your Honor.  
16 Philip Bentley of Kramer, Levin representing Deloitte  
17 & Touche LLP.

18 If Your Honor wishes, what I would propose  
19 to do is make a brief proffer of Bernard Pump's  
20 testimony and then if parties wish to cross-examine  
21 him, he is here in the courtroom and available to be  
22 cross-examined.

23 THE COURT: That's fine.

24 MR. BENTLEY: And let me preface it by



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1 THE COURT: Any objection to that for  
2 Warburg?

3 MR. GEWERTZ: I can't speak for Warburg.  
4 On behalf of the committee, we don't have any  
5 objection. I think I had made it clear to a Warburg  
6 representative that that is the standard that this  
7 Court prefers. And I believe Your Honor so indicated  
8 that yesterday in a hearing I heard or the day before.

9 And I believe the engagement letter itself  
10 contemplates a final application which would be  
11 subject to that standard.

12 THE COURT: All right.

13 MR. SCHEPACARTER: Okay.

14 THE COURT: And that was the only concern?

15 MR. SCHEPACARTER: The other part was the  
16 \$50,000 per month they would have to file, if it gets  
17 that far, I think they would have to file fee  
18 applications to get paid whatever they need to get  
19 paid.

20 THE COURT: They would follow the normal  
21 professional compensation procedures that are  
22 applicable in this case.

23 MR. GEWERTZ: Right. That doesn't kick in  
24 until after four months from November 21, Your Honor.



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1 Your Honor, it's a cheap shot. It has hurt the  
2 company already. The company has had a hard time  
3 staying together, keeping its employees motivated.  
4 They have been accused of terrible things. They have  
5 been sued. It's not fun. I wouldn't wish it on  
6 anybody.

7 But, as I said, it's a good plan. It's a  
8 fair plan. It's a plan proposed in good faith, which  
9 meets all of the requirements of Section 1129 of the  
10 Bankruptcy Code. Hundreds of creditors depend upon  
11 confirmation of this plan to recover something upon  
12 their claims. Thousands of employees depend upon  
13 confirmation of this plan to keep their jobs.

14 Most importantly, tens of thousands of  
15 patients depend upon confirmation of this plan for  
16 their very lives. The debtors and I believe others  
17 urge Your Honor to confirm this plan.

18 And, Your Honor, I would just like to  
19 introduce for what I think will not be more than two  
20 minutes Eugene Tillman of our regulatory firm, who I  
21 think has less than two minutes of a presentation.

22 MR. TILLMAN: Good morning, Your Honor.  
23 Eugene Tillman from Reed, Smith in Washington, D.C.

24 Reed, Smith is the outside healthcare



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1 regulatory counsel for the debtors. We were engaged  
2 by Coram in the fall of 1999 and began advising the  
3 company on a wide range of issues, including  
4 compliance with Stark II at that time. This was at a  
5 time before Mr. Crowley was CEO of the company and the  
6 debtors were facing the issue of compliance with Stark  
7 II as of the end of 1999 and we advised the company  
8 through that process.

9 Obviously, I think Mr. Friedman has done a  
10 good job of explaining in a nutshell how Stark II  
11 works. It's not an area of general understanding and  
12 common knowledge. So I am more than prepared, Your  
13 Honor, to answer any questions that you have about  
14 Stark II. But I think it's fair to say that but for  
15 the exception that Mr. Friedman described --

16 THE COURT: Well, I don't mean to  
17 interrupt, but is your statement in the form of  
18 testimony?

19 MR. FRIEDMAN: Well, Your Honor, our  
20 intention was simply to make Mr. Tillman available to  
21 the Court if the Court had any questions. If there  
22 are none now, he will be available.

23 THE COURT: Yes. I don't think it's  
24 necessary, I mean to the extent I don't know what the



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1 of it. We understand how easy it is to attack us for  
2 sensationalism. This is not sensationalism, Your  
3 Honor. It is all shown by the evidence.

4 Finally, and non-controversially I  
5 suppose, we believe that the notion that there was a  
6 special committee that acted independently in any kind  
7 of fashion to protect the equityholders is totally  
8 belied by the evidence.

9 With that, Your Honor, I will honor your  
10 wishes and sit down.

11 Thank you.

12 THE COURT: Thank you.

13 Are you ready to start with the testimony?

14 MR. FRIEDMAN: Your Honor, there's one  
15 other comment.

16 MS. TIEN: Your Honor, Wendy Tien and I am  
17 here on behalf of the United States Health Care  
18 Financing Administration. We are the agency that's  
19 responsible for administering the Stark II law.

20 And if I may make a few comments, may I  
21 make a few comments regarding Stark II before we  
22 proceed or, if not, may I make myself available to  
23 answer any questions you have about Stark II?

24 THE COURT: You may be available. I'm not



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1 sure it's necessary. It may be more appropriate as  
2 testimony. I don't think it's appropriate as an  
3 opening statement. That's my concern.

4 MS. TIEN: Thank you, Your Honor.

5 MR. MILLER: Your Honor, Alan Miller. May  
6 I be heard briefly?

7 THE COURT: Yes.

8 MR. MILLER: Alan Miller from Weil,  
9 Gotshal & Manges representing the noteholders.

10 This is a case that fascinates me and I  
11 think Your Honor is going to be fascinated because  
12 what Your Honor is going to hear from the witness  
13 stand is that these noteholders who allegedly  
14 controlled the company didn't get a penny, not one  
15 penny of interest, not one penny of principal, until  
16 just before these proceedings were filed in connection  
17 with a quarter of a billion dollars of debt.

18 And if you took that money, those  
19 relatively few dollars that were paid as a result of  
20 an asset sale a few weeks before, a few months before  
21 the proceeding was filed, amortized it over the life  
22 of this debt, you would find that the interest rate  
23 they received was something under 1 percent per annum.  
24 And that's the result if there was any influence of



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Crowley - direct

55

1 Dynamic Healthcare or Cerberus in any way operate to  
2 restrict the time or the nature of the work which you  
3 can perform for Coram?

4 A. None at all.

5 Q. And on average, how much of your attention is  
6 devoted to Coram in let's say a particular week?

7 A. Coram has been all consuming for me. It's  
8 averaged something well north of 40 hours, sometimes  
9 as much as 75 or 80 a week.

10 Q. Has Cerberus engaged you to act on their behalf  
11 in any way in connection with Coram?

12 A. Absolutely not.

13 Q. Do you receive any consulting fees, any  
14 compensation, any other benefits at all from Cerberus  
15 for any of the work that you do for Coram?

16 A. I receive nothing from Cerberus for anything  
17 that I do at Coram whatsoever. In fact, my agreement  
18 with Cerberus specifically excludes in writing any  
19 compensation from Cerberus related to Coram, period.

20 Q. Does your compensation from Coram in any way,  
21 any way at all depend upon how Cerberus is treated  
22 under the plan of reorganization?

23 A. Absolutely not. My compensation is  
24 specifically, specifically tied to the economic



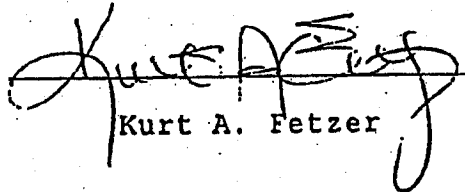
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1 State of Delaware )  
2 New Castle County )  
3  
4

5 CERTIFICATE OF REPORTER  
6

7 I, Kurt A. Fetzer, Registered Professional  
8 Reporter and Notary Public, do hereby certify that the  
9 foregoing record, pages 1 to 153 inclusive, is a true  
10 and accurate transcript of my stenographic notes taken  
11 on December 1, 2000, in the above-captioned matter.  
12

13 IN WITNESS WHEREOF, I have hereunto set my hand  
14 and seal this 4th day of December 2000, at Wilmington.  
15

16  
17   
18 Kurt A. Fetzer  
19  
20  
21  
22  
23  
24



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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

IN RE:

CORAM HEALTHCARE CORP. and  
CORAM, INC.,

Debtors.

)  
)  
) Case No.00-3299 through  
) 00-3300 (MFW)  
)  
)

United States Bankruptcy Court  
Courtroom No. 1  
Sixth Floor  
824 North Market Street  
Wilmington, Delaware 19801

December 11, 2000  
2:00 p.m.

BEFORE: THE HONORABLE MARY F. WALRATH  
United States Bankruptcy Judge

Transcript of Proceedings

497

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1 MR. SHIFF: Good afternoon, Your Honor.  
2 Adam Shiff here on behalf of Coram Healthcare Corporation  
3 and Coram, Inc., the two debtors in these proceedings.

4 Your Honor, on December 7th, the Pachulski  
5 firm filed an agenda letter in accordance with the local  
6 rules of this Court setting forth the matters that are on  
7 for today's hearings. Very simply, Your Honor, the  
8 schedule, the letter contains two items that are set to  
9 be heard. First item is a motion to approve a settlement  
10 with Aetna which has been scheduled before. Again, Your  
11 Honor, we are going to seek to carry this motion as we  
12 are still working on some final language to clear up an  
13 objection.

14 Just for the sake of simplicity, what I  
15 would suggest we do is let's just carry it to tomorrow  
16 right now which is our next omnibus day where we have a  
17 whole number of things scheduled there. Whatever gets  
18 resolved will get resolve. We'll move the whole group  
19 together just so we get everything on the same track.

20 THE COURT: That's fine.

21 MR. SHIFF: Your Honor, the second item  
22 would be on the continued hearing on the confirmation of  
23 the debtors' plan which is listed as number 2 on the  
24 agenda, and for that I turn over the podium to



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1 Mr. Friedman.

2 THE COURT: Okay.

3 MR. FRIEDMAN: Your Honor, you may recall  
4 that on Friday, December 1st, we began the hearing with  
5 Mr. Crowley's direct testimony, and we agreed that we  
6 would proceed today with Mr. Danitz and Mr. Scroggins.  
7 Now, with respect to Mr. Scroggins, the equity committee  
8 has asked to inquire of Mr. Scroggins with respect to  
9 some additional documents and we've been asked that to  
10 take place either this evening or first thing in the  
11 morning. So we would proceed this morning -- we will  
12 proceed today -- I'm sorry -- with Mr. Danitz which I  
13 think will take probably the afternoon.

14 THE COURT: Okay.

15 MR. LEVY: Your Honor, I think I have a  
16 problem. I have actually a short-run problem and perhaps  
17 a longer one. With respect to Mr. Danitz, who's the  
18 witness that is being put on, first of all, I have no  
19 problem, of course, with his going ahead on direct. I  
20 have, I think, a very serious problem with being asked to  
21 commence cross, and I would like to take a moment and  
22 explain why.

23 Mr. Danitz is the source material for  
24 valuation here. He's the chief accounting officer who



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Scott R. Danitz - Direct (Friedman)

31

1 Q. Okay. But are the numbers accurate?

2 A. Yes, they are. These are the numbers.

3 Q. And again, who is the person at Coram primarily  
4 responsible for preparing the financial projections that  
5 appear on page 13?

6 A. Myself.

7 Q. Now, can you turn also to page 77 of this  
8 document?

9 A. Yes.

10 Q. Now, do you recognize what this is, what page 77  
11 represents?

12 A. Yes. It's a summary of the projections between  
13 2000 and 2004 from a profitability cash flow standpoint.

14 Q. Okay.

15 MR. LOW: David, we've got a real problem.  
16 These pages do not line up. Are there more than one  
17 versions of this?

18 MR. LEVY: Your Honor, I have in front of  
19 me the document that has the identical cover sheet as  
20 Debtors' Exhibit 8, appears to be the same thing. It's  
21 previously marked as Scroggins' Exhibit 2 and pages don't  
22 match. I'm looking at these pages and seeing different  
23 numbers.

24 THE COURT: Is there an explanation?



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1 MR. MILLER: Your Honor, just one moment.  
2 My silence about converting debt to equity should not be  
3 taken as acquiescence. It is something --

4 THE COURT: That was obvious.

5 MR. MILLER: It's something so  
6 extraordinary that in 35 years I've never heard of it in  
7 a Chapter 11.

8 THE COURT: That's obvious. And I'm not  
9 considering it.

10 All right. We will stand adjourned.

11 (Which was all the proceedings had on  
12 hearing of said cause on the date aforesaid.)  
13  
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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
CORAM HEALTHCARE CORP. and ) Case No. 00-3299  
CORAM, INC., ) through 00-3300  
Debtors. )

Bankruptcy Courtroom  
Courtroom 1 - Sixth Floor  
824 Market Street Mall  
Wilmington, Delaware

Tuesday, December 12, 2000  
12:35 p.m.

BEFORE: HONORABLE MARY F. WALRATH  
United States Bankruptcy Judge

MOTIONS

WILCOX & FETZER  
1330 King Street - Wilmington, Delaware 19801  
(302) 655-0477



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Scott R. Danitz - Cross-Examination .. 2

1 THE COURT: Good morning, I apologize. I  
2 will give you your hour.

3 MR. FRIEDMAN: Thank you, your Honor. We  
4 got a couple of minor housekeeping items. I think it  
5 makes sense to just go straight to the cross-examination  
6 that was pending and then --

7 THE COURT: Let's do that. Mr. Danitz will  
8 come back. You are still under oath.

9 BY MR. LEVY:

10 Q. Good morning, Mr. Danitz. Richard Levy with the  
11 Equity Committee. I have put in front of you a document  
12 that we have marked Equity Committee No. 4, which are  
13 minutes marked Draft of a meeting of the Board of  
14 Directors of Coram Healthcare on July 31st, 2000.

15 A. Yes.

16 Q. And you recall attending that meeting?

17 A. Yes.

18 Q. I'd like to explore with you, for just a few  
19 moments, the trend of EBITDA at Coram.

20 You recall, at that meeting, there was a  
21 discussion which you participated concerning the trends  
22 that were evident in the operating results?

23 A. Yes.

24 Q. And you recall reporting that, on July 31st, it



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1 include, under a maximum calculation, ten million 250,  
2 which would include the five million. So, it's not 35  
3 million minus the MIP and you are at a lower number. The  
4 EBITDA has to include the entire MIP cost.

5 Q. Let's look back now, we are going to move on at  
6 Scroggins Exhibit 9, it's Equity Committee 6 now.

7 Now, you testified, at your deposition  
8 yesterday, that you had never seen this document until it  
9 was shown to you at the deposition; is that correct?

10 A. That's correct. I have never seen this  
11 document.

12 Q. Therefore, obviously, it would be your testimony  
13 that you didn't prepare this document?

14 A. I did not prepare this document, but I recognize  
15 these numbers.

16 Q. Now, Mr. Danitz, I am going to represent to you  
17 that, at a deposition of Mr. Scroggins, about a week ago,  
18 that he testified as follows, page 275: Mr. Scroggins,  
19 can you identify for us Exhibit 9, please? Excuse me. I  
20 am sorry. Let's strike that.

21 I am going to represent to you that  
22 Mr. Scroggins testified, on page 278, beginning at line  
23 15, Now, you have testified that Mr. Danitz?

24 MR. MILLER: Your Honor, please, I have a



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1 transcript of his deposition, but it only goes to page  
2 268.

3 MR. FRIEDMAN: Your Honor, while we are at  
4 this, I object to the use of a, of a deposition for any  
5 purpose other than, I mean, you can use the deposition to  
6 cross the deponent in that deposition, but to represent  
7 what someone said in a different context --

8 THE COURT: Overruled. He can ask if this  
9 witness agrees with that testimony. What page are we on  
10 again? Do you have the page?

11 MR. MILLER: I don't. If somebody else has  
12 a copy, I'd like to follow it.

13 MR. FRIEDMAN: What page?

14 MR. LEVY: Looks like 278 to me.

15 MR. MILLER: Got it.

16 BY MR. LEVY:

17 Q. If everybody has it, let me go on. I am going  
18 to represent to you that Mr. Scroggins' testimony at his  
19 deposition, a week or so ago, Now, you have testified  
20 that Mr. Danitz, of Coram, prepared Exhibit 9; correct?  
21 And his answer is, Yes.

22 Now, can you explain the inconsistency  
23 between Mr. Scroggins' testimony that you prepared  
24 Exhibit 9 and your testimony that you didn't?



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1 so I can start you tomorrow at two and take the rest of  
2 the day. I still don't know about Thursday.

3 MR. LEVY: And Friday?

4 THE COURT: Friday, I have already reserved  
5 the morning for you at nine a.m. So, who can we do  
6 tomorrow?

7 MR. FRIEDMAN: I got to make some phone  
8 calls. It's a little quick, but, well, you know, here is  
9 the -- Scroggins is in town. I would, I was going to put  
10 him on Friday, but I think we will try to do him  
11 tomorrow. I don't think we have time -- they want to  
12 depose him about it for a third time, and I --

13 MR. LOWE: Your Honor, this is my, they  
14 have already agreed to this. As you see, Mr. Scroggins,  
15 at his deposition, said this is the only piece, I got  
16 this piece of paper from Mr. Danitz, it's the only piece  
17 of paper I got, and it's what I relied on. That turned  
18 out that his organization had gotten a lot of other stuff  
19 and he hadn't even gotten that piece of paper. It will  
20 not be a long deposition, 15, 20 minutes, maybe a half an  
21 hour. I want to go over what he got.

22 THE COURT: I'd rather do it without me,  
23 so, I will leave it to the parties.

24 MR. FRIEDMAN: So, how about sometime



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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

IN RE:

CORAM HEALTHCARE CORP. : Case Nos. 00-3299 and  
and CORAM, INC. : 00-3300 (MFW)

Debtors

United States Bankruptcy Court  
824 Market Street - Sixth Floor  
Wilmington, Delaware

December 13, 2000  
2:12 p.m.

BEFORE: HONORABLE MARY F. WALRATH,  
United States Bankruptcy Judge

TRANSCRIPT OF PROCEEDINGS

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1 P R O C E E D I N G S

2 MR. FRIEDMAN: Your Honor, good afternoon.

3 I think you know why we are here. Should we just keep  
4 going?

5 THE COURT: Why don't you give me a preview  
6 of coming attractions?

7 MR. FRIEDMAN: Okay.

8 THE COURT: What are we going to hear today?

9 MR. FRIEDMAN: Today we have the debtors'  
10 valuation expert. I would anticipate that we could  
11 finish with him today, direct and cross.

12 MR. LEVY: Your Honor, Mr. Friedman tells me  
13 Friday, a day you had reserved for us, is a day on  
14 which he has no witnesses. We have only -- the only  
15 witness we have other than Mr. Crowley's  
16 cross-examination, which will take some time, if he  
17 gets here, and Mr. Amaral, if Mr. Friedman decides to  
18 produce him, is our valuation expert at Deloitte. They  
19 are available any day next week. Earlier in the week  
20 would be better. We will have one or two literally 10  
21 minute witnesses next week, members of the equity  
22 committee and that's all.

23 I'm sorry. There may be, depending if we  
24 get the documents, Alex Brown. But our presentation



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1 Q During the past couple of years, about how  
2 many health care companies would you say you have been  
3 engaged with respect to valuation work?

4 A In about a year and a half, seven plus.

5 Q Seven health care companies?

6 A Right, seven health care companies.

7 Q Can you name any?

8 A Yes. The ones I can name, Sun Healthcare,  
9 Manor Post Acute, Healthcore Holdings, Covenant Care.  
10 And there are others that we are doing work for on a  
11 confidential basis.

12 MR. FRIEDMAN: Your Honor, we would seek to  
13 qualify Mr. Scroggins as an expert on business  
14 valuation.

15 MR. LOW: May I inquire, your Honor?

16 THE COURT: You may.

17 MR. LOW: I'll make this brief.

18 CROSS-EXAMINATION

19 BY MR. LOW:

20 Q Mr. Scroggins, you have no advanced degrees,  
21 is that correct?

22 A I have no advanced degrees, correct.

23 Q And you have never taken any outside  
24 training in valuation other than these in-house



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1 MR. FRIEDMAN: And no further questions,  
2 your Honor.

3 MR. LOW: Your Honor, I believe we have had  
4 a this problem before. I believe if Mr. Miller has any  
5 questions or Mr. Gewertz, I believe they should go  
6 first.

7 THE COURT: I agree. Any questions?

8 MR. MILLER: Just two or three.

9 CROSS-EXAMINATION

10 BY MR. MILLER:

11 Q Mr. Scroggins, at any time prior to today,  
12 has any of the noteholders, Foothill, Cerebus or  
13 Goldman Sachs, contacted you with respect to your  
14 valuation of Coram, Inc., and Coram Healthcare?

15 A No, none whatsoever.

16 Q Has anyone on their behalf contacted you  
17 with respect to your valuation, anyone such as myself  
18 or another attorney or other professional?

19 A Nobody has at all.

20 Q So no one, to your knowledge, no one, either  
21 from or on behalf of any of these noteholders, have  
22 made any suggestion to you whatsoever what the results  
23 should be of your valuation of these entities?

24 A Nobody at all has made any suggestion to me



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1 regarding the valuation process, et cetera.

2 Q Are there any relationships that exist that  
3 would influence your valuation, any relationships  
4 between these noteholders and Chanin Capital Partners  
5 that would influence your valuation?

6 A No, there are not.

7 MR. MILLER: Thank you, your Honor. No more  
8 questions.

9 MR. GEWERTZ: The creditors' committee has  
10 no questions of this witness.

11 CROSS-EXAMINATION

12 BY MR. LOW:

13 Q Good afternoon, Mr. Scroggins.

14 A Hi.

15 Q You testified -- a small point. But you  
16 testified that you believe this assignment began in  
17 late April or early May, is that correct?

18 A I believe we met with the company in late  
19 April, early May, and the assignment, recalling my  
20 dates correctly, began in mid May.

21 Q I think we previously marked and I'm now  
22 going to show to you what's just been marked as Equity  
23 Committee Exhibit 10, which I believe is a copy of the  
24 Application for Order Authorizing and Approving the



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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In the matter of )  
CORAM HEALTHCARE CORP. ) Case No. 00-3299  
and CORAM, INC. ) Through 00-3300 (MFW)  
Debtors. )

Bankruptcy Courtroom  
Room No. 2 - Sixth Floor  
Marine Midland Plaza  
824 Market Street Mall  
Wilmington, Delaware

Friday, December 15, 2000  
9:07 a.m.

BEFORE: THE HONORABLE MARY F. WALRATH,  
United States Bankruptcy Judge

TRANSCRIPT OF PROCEEDINGS

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1 MR. FRIEDMAN: Your Honor, good morning.  
2 I think what's on the schedule today is, as we discussed  
3 at our last session, the cross-examination of  
4 Mr. Crowley.

5 Just very briefly. We have one, I think,  
6 minor impasse that we can get past quickly which is that  
7 last Friday a deposition was taken by the Equity  
8 Committee of one of our directors, Donald Amaral, and we  
9 did not ask him any questions at that deposition, because  
10 we believed that he would be available for trial. Now,  
11 because of the way this has been scheduled, I think his  
12 availability is in serious doubt because of a number of  
13 personal circumstances, and what we would like to do is  
14 just complete his deposition so that, if the deposition  
15 is going to be introduced by the Equity Committee into  
16 evidence, there's a complete record. And we can go to  
17 him sometime either on Tuesday or Wednesday in order to  
18 do that. I think it's going to be very brief. It could  
19 be done telephonically if people wish to attend  
20 telephonically. We believe, if the Amaral deposition is  
21 to be put into evidence by the Equity Committee, there  
22 should be a complete record, and we can make arrangements  
23 to go to Mr. Amaral for an hour or two and complete that  
24 record. I understand there's been an objection to that.



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1 So we need to resolve that one issue.

2 MR. LEVY: Your Honor, at the conclusion of  
3 Mr. Amaral's deposition, which was attended by  
4 Mr. Harwood, Mr. Low, who took the deposition, asked  
5 Mr. Amaral, this is on page 108, "Do you have any plans  
6 to attend the trial in this matter in Wilmington?"

7 And his answer, after some colloquy, was,  
8 "That's a simple answer. Today, no."

9 Mr. Harwood then in the last line of the  
10 deposition says, "I have no questions at this time."  
11 That was on page 110.

12 What happened here, Your Honor, is the  
13 transcript came back. They don't like what they see in  
14 it, but --

15 THE COURT: Well --

16 MR. LEVY: They had their opportunity to  
17 examine him. He is a director, and he's going to be in  
18 Florida next week. We think they ought to bring him or  
19 they have waived their right to do so. This is serious.  
20 The testimony he gave in this deposition was that he was  
21 misled --

22 THE COURT: I don't want to get into the  
23 substance of it, and I know that both sides have been  
24 very accommodating to each other as far as completing



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1 that we can put that into evidence on our own case.

2 MR. LEVY: Your Honor, he's now in Florida.  
3 Again, it's not convenient. I think I have said all I  
4 should say. I really want you to see him if it's  
5 important. We do have time on Monday to do that.

6 THE COURT: I'm not going to require that  
7 he show up. I'm going to allow the parties to complete  
8 the deposition and allow the debtor to take some cross of  
9 him, if you will.

10 MR. FRIEDMAN: Thank you.

11 MR. SHIFF: Your Honor, I think there are  
12 two housekeeping matters. One which is reflected on the  
13 agenda and one which is more in the form of a  
14 pro hac vice application, which I will turn to  
15 Mr. Lhulier for in one second.

16 I'm turning to the agenda letter dated  
17 December 14th, item No. 2, which relates to the  
18 substantive consolidation issue that had been before the  
19 Court. The Court will recall that the R-Net estates had  
20 filed a motion for substantive consolidation.

21 THE COURT: Why was it put on for today?

22 MR. SHIFF: What had occurred was at the  
23 hearing, I think, on December 1st Ms. Jones had  
24 represented to the Court that settlement had been reached



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1 with the R-Net estates and that I think she had handed up  
2 a stipulation at that time that addressed sort of the  
3 procedural aspects of the settlement. I think she had  
4 indicated then that we just needed to complete the  
5 documentation and we would then need to hand it up for  
6 Court approval.

7 If Your Honor doesn't want to entertain it  
8 today, if we can put it off to one of the hearings that  
9 are scheduled for next week, I think --

10 THE COURT: Let's put it off for Monday.

11 MR. SHIFF: That's fine.

12 THE COURT: It's related to confirmation.

13 MR. SHIFF: That's fine, Your Honor. Thank  
14 you.

15 MR. LHULIER: Good morning, Your Honor.  
16 Christopher Lhulier for the debtors. I'd like to move  
17 the admission pro hac vice of Philip Warden of Pillsbury  
18 Madison & Sutro, on behalf of Mr. Crowley this morning.

19 THE COURT: All right.

20 MR. LHULIER: May I hand up his motion?

21 THE COURT: You may. It will be granted.  
22 Welcome.

23 MR. FRIEDMAN: Your Honor, could  
24 Mr. Crowley take the stand?



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Crowley - Cross

62

1 A. I know it has reduced revenues. I absolutely  
2 know it. I don't believe it. It lost an \$89 million  
3 contract with Aetna.

4 Q. What part of the \$13 million that you claim is  
5 for reducing revenues?

6 A. Excuse me?

7 Q. Withdraw that question.

8 MR. LEVY: Your Honor, I wonder if we could  
9 take a five-minute break for the sake of my voice.

10 THE COURT: We may. Since you're under  
11 cross, you're not allowed to discuss your testimony with  
12 anyone.

13 (A recess was taken.)

14 MR. LEVY: Your Honor, I'm going to have  
15 marked as EC 25 a letter dated February 28, 2000, from  
16 Mr. Crowley to the board of directors.

17 MR. MILLER: What was the date?

18 MR. LEVY: February 28, 2000.

19 BY MR. LEVY:

20 Q. Mr. Crowley, you wrote that letter?

21 A. Yes.

22 Q. And in that letter you said, and I'm looking at  
23 page 2 in the middle paragraph, about halfway down, "The  
24 risks for me as a professional are also substantially



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IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: )  
 )  
CORAM HEALTHCARE CORP. and ) Case No. 00-3299  
CORAM, INC., ) through 00-3300  
 ) (MFW)  
Debtors. )

Bankruptcy Courtroom  
No. 1, Sixth Floor  
Marine Midland Plaza  
824 Market Street  
Wilmington, Delaware

Monday, December 18, 2000  
9:15 a.m.

BEFORE: THE HONORABLE MARY F. WALRATH,  
United States Bankruptcy Judge

-- Transcript of Proceedings --

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1 THE COURT: Good morning.

2 ALL: Good morning, Your Honor.

3 MR. FRIEDMAN: Your Honor, good morning. I  
4 think this is the last day for evidence in this  
5 confirmation hearing. Just one quick note and then I'll  
6 hand the podium over to Mr. Levy.

7 We have this pesky substance consolidation  
8 stipulation that we would like the Court to consider. We  
9 thought that, just to give parties the maximum amount of  
10 notice, we would just hand it up for consideration on  
11 Thursday, which is when closing arguments are being made,  
12 if that's okay.

13 THE COURT: All right. Any objection?

14 (No response.)

15 THE COURT: All right. We'll hear it on  
16 Thursday.

17 You might have noticed that all the other  
18 matters, since they were uncontested, will not be going  
19 forward today, so we have today.

20 MR. LEVY: Thank you.

21 THE COURT: Without interruption.

22 MR. LEVY: I would like to call Mr. Richard  
23 Haydon, a member of the Equity Committee. Mr. Haydon is  
24 our last witness but for the valuation witness, and he is



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Haydon - Direct

12

1 THE COURT: Yes.

2 MR. LEVY: Your Honor, may I stand by the  
3 witness?

4 THE COURT: Yes.

5 MR. MILLER: Your Honor, may we have a copy  
6 of this exhibit?

7 MR. LEVY: I'm sorry. That's all I have.

8 THE COURT: Can you share with counsel for  
9 the debtor, perhaps?

10 MR. LEVY: Your Honor, the document we have  
11 marked as EC-75 is a group exhibit consisting of four  
12 letters: one dated June 1st, 2000, from me to  
13 Mr. Crowley; a response on June 7th to me from  
14 Mr. Friedman; a letter that I, then, wrote to  
15 Mr. Friedman on June 20th; and Mr. Friedman's response to  
16 me on June 21st.

17 BY MR. LEVY:

18 Q. Are the letters that I wrote letters that were  
19 written at your request?

20 A. Yes, they were.

21 Q. Can you identify the responses as copies that I  
22 furnished to you when I received them?

23 A. Yes, I can.

24 MR. LEVY: Your Honor, I would move EC-75



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McGahan - Direct

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1 have first?

2 MR.. SCHWARTZ: I sort of assumed that the  
3 supporters of the debtor should probably go next.

4 THE COURT: Does the committee want to  
5 present an expert?

6 MR. GEWERTZ: Yes, Your Honor. I call  
7 William C. McGahan, M-c-G-a-h-a-n.

8 - - - - -

9 WILLIAM C. MC GAHAN,  
10 the witness herein, having first been  
11 duly sworn on oath, was examined and  
12 testified as follows:

13 DIRECT EXAMINATION

14 BY MR. GEWERTZ:

15 Q. Mr. McGahan, by whom are you employed?

16 A. UBS Warburg.

17 Q. What is your present position?

18 A. I am managing director and deputy head of our  
19 global healthcare investment banking group.

20 Q. What does UBS Warburg do, generally? What are  
21 its business activities?

22 A. We are a securities firm, investment banking  
23 underwriting, etcetera.

24 Q. Does UBS Warburg's work involve the healthcare



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1 (The testimony was then concluded at  
2 4:25 p.m.)

3 MR. LEVY: Your Honor, you had reserved on  
4 the letters this morning because Mr. Friedman hadn't had  
5 a chance to see them.

6 THE COURT: Well, let's see what exhibits  
7 you are offering that I haven't dealt with.

8 MR. FRIEDMAN: I'll respond to anything  
9 that I'm asked to.

10 THE COURT: EC-75?

11 MR. FRIEDMAN: No objection.

12 THE COURT: EC-75 is admitted.

13 (Equity Committee Exhibit 75 was admitted  
14 into evidence.)

15 MR. FRIEDMAN: Were all the documents that  
16 were introduced on Mr. Crowley's cross --

17 MS. SARGENT: That's what I'm here for.

18 MR. FRIEDMAN: I'll look over your  
19 shoulder.

20 MS. SARGENT: From what was reserved  
21 yesterday, you can look at the documents.

22 We have an offer for 18.

23 MR. FRIEDMAN: Okay. No objection.

24 THE COURT: That's admitted.



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